

**AUDITING PROCEDURES REPORT**

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village Of Bellaire	County Antrim
Audit Date 2/29/04	Opinion Date 3/24/04	Date Accountant Report Submitted to State: 5/18/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

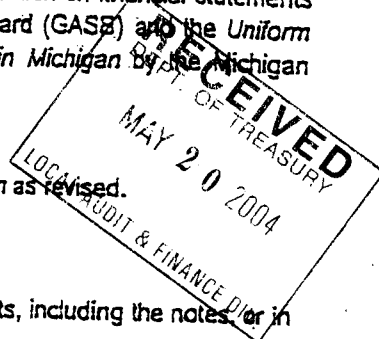
You must check the applicable box for each item below.

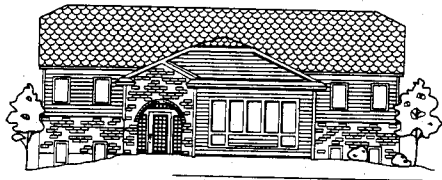
- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Keskine, Cook, Miller, Smith & Alexander, LLP			
Street Address 100 West First St.	City Gaylord	State MI	ZIP 49735
Accountant Signature <i>Rachel Frisch</i>			





**Keskin, Cook, Miller, Smith & Alexander LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

March 24, 2004

To the President and Members of the Village  
Council of the Village of Bellaire

During the course of our audit of the general purpose financial statements of the Village of Bellaire for the year ended February 29, 2004, we noted the following issue:

1. Several funds of the Village experienced overexpenditures for the year. They are as follows:

Public Safety Fund	\$ 1,253
Major Street Fund	24,501
Local Street Fund	147,311

We have discussed budgeting requirements with the appropriate officials.

We thank you for the opportunity to be of service to the Village of Bellaire and hope that you find this comment and recommendation useful.

*K. K. Cook Miller Smith & Alexander LLP*

Keskin, Cook, Miller, Smith & Alexander, LLP

**VILLAGE OF BELLAIRE**  
**ANTRIM COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2004**

## **VILLAGE OFFICIALS**

PRESIDENT	JOHN HANSON
PRESIDENT PRO-TEM	DENNIS BALON
TREASURER/CLERK	CATHERINE ODOM
CHIEF OF POLICE	BRAD ROWE
STREET ADMINISTRATOR	KENNETH M. STEAD
DEPUTY CLERK	PAMELA PATTON
ZONING ADMINISTRATOR	JANET PERSON
BEAUTIFICATION COMMISSION ADMINISTRATOR	PATRICIA DROLLINGER

## **TRUSTEES**

DENNIS BALON  
JAMES BAKER  
HELEN SCHUCKEL  
PATRICIA DROLLINGER  
TOM SHELDON  
BOB RODRIQUEZ

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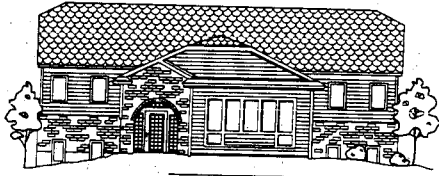
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Keskin, Cook, Miller, Smith & Alexander LLP  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

### INDEPENDENT AUDITOR'S REPORT

March 24, 2004

To the President and Members of the Village  
Council of the Village of Bellaire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Bellaire, Antrim County, Michigan as of and for the year ended February 29, 2004, which collectively comprise the Village's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Bellaire, Antrim County, Michigan as of February 29, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of February 29, 2004.

The management's discussion and analysis on pages 3-6 and budgetary comparison information on pages 37-42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2004, on our consideration of the Village of Bellaire's compliance and internal control over financial reporting.

  
Keskin, Cook, Miller, Smith & Alexander, LLP  
Certified Public Accountants



# Village of Bellaire

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## **VILLAGE OF BELLAIRE MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED FEBRUARY 29, 2004**

This section of the Village of Bellaire's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended February 29, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

Our financial status remained stable over the last year. Assets at February 29, 2004 totaled approximately \$1,980,000 for governmental activities and \$3,550,000 for business-type activities. Of these totals, approximately \$1,160,000 and 2,830,000, respectively, represent capital assets net of depreciation. Overall, assets increased by 4% from the prior year.

Overall revenues were approximately \$1,300,000 (\$800,000 from governmental activities and \$500,000 from business-type activities). Overall expenses approximated \$1,100,000 (\$660,000 for governmental activities and \$440,000 for business-type activities).

The tax base increased by 1.05%.

The Village incurred one new debt instrument during the year and purchased approximately \$366,000 in capital assets. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts, management discussion & analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village.

The first two statements are Village wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities and/or business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

## ENTITY-WIDE FINANCIAL STATEMENTS

The entity wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

Most of the activities of the Village are reported as governmental activities. These would include the general fund, cemetery fund, parks, major streets, local streets, public safety fund and the motor pool fund. Some activities such as the water and sewer funds are treated as business activities where the revenues of the activity are designed to pay for the operations of the activity.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Village has the following types of funds:

**Governmental Funds:** Most of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include: General, Law Enforcement, Major Street, Local Street, Debt Service and Cemetery.

**Proprietary Funds:** These funds represent activities in the government which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the Village's government-wide statements and fund statements presentation. The Village's proprietary funds include: Water, Sewer and Internal Service.

**Fiduciary Funds:** The Village is a trustee or fiduciary for assets that belong to others. The Village maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belong. These activities do not appear in the Village's government-wide financial statements since the assets do not belong to the Village. The Village maintains a Cemetery Perpetual Care fund in this category.

## FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

**Net Assets:** The Village's combined net assets increased approximately \$131,000 during the year ended February 29, 2004 totaling \$3,420,840.

The increase is mainly due to the purchase of capital asset items and capitalized road improvements.

**Governmental Activities:** The net assets for governmental activities increased approximately \$113,000, due largely to contributions made to the Village from area Townships. Kearney Township has assisted with the expense of paving some Village roads, and Forest Home Township has assisted with cemetery expense. It is the Village's hope that with improving relations with the Townships, future years will bring the entities together to achieve mutual goals. Additionally, property tax revenues increased as a result of the increased tax base.

**Business Type Activities:** The net assets for business-type activities increased approximately \$18,000. The changes in this area can be attributed to the new water and sewer rates that went into affect last year, which has allowed for the two departments to become self-supporting.

## FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

**General Fund:** This fund is used to record all activities of the Village not required to be recorded in a separate fund. This would include parks, zoning, dam, building and grounds, legislative, administrative, and elections. The major source of revenue for the general fund is from the Village tax base, the revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Village.

**Major Streets:** This fund is used to record revenues and expenses for major (state-owned) streets located within the Village. The major source of revenue comes from the State of Michigan in the form of transportation taxes and grants for snow removal. The major expense for this fund is equipment rental for snow removal and street repair.

**Local Streets:** This fund is used to record revenues and expenses for local (Village-owned) streets. Local street revenue comes from property taxes and from the state in the form of grants for snow removal and from gas and weight taxes. This fund also records contributions from area Townships for repairing or paving local streets. The Village purchased a plot of land with local street monies to be converted to a parking lot in the future.

**Public Safety Fund:** The public safety fund is used to record police department activities. Its major source of revenue comes from the general fund. The expenses incurred are for operational costs.

**Cemetery Fund:** The major source of revenue is from the sale of cemetery plots and openings for burials. The expenses incurred are for maintenance.

**Sewer Fund:** The sewer fund records all activities of the Village's wastewater treatment system. The major source of revenue is from user charges, and the major expense is the operation and maintenance of the sewer system.

**Water Fund:** This fund is used to record revenues and expenses for the Village water system. The revenues come from user charges and the expenses are incurred for operation and maintenance.

**Internal Service:** This is used to record the operation by the Department of Public Works. The primary source of revenue comes from equipment rental fees charged to the other funds of the Village. The primary expenses are accrued from the operations and maintenance of equipment.

**Bellaire Building Authority Debt Service:** This fund collected lease revenue from the general fund and satisfied the debt service requirements of the Craven Dam Bond.

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

### **Capital Assets:**

Additions to Village assets for this year include a new backhoe (\$52,890); completion of water reservoir (\$2,916), Local street paving (\$12,632), land purchase (\$159,000), park walkway construction (\$2,859), police department computer (\$2,149), and pump system for sewer ponds (\$30,370).

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONTINUED)**

### **Long Term Debt:**

- ◆ Sewer Revenue Bond: The Revenue Bond payments for this fiscal year totaled \$71,261 (\$30,000 principal and \$41,261 interest).
- ◆ Sewer General Obligation Bond: The bond payments for this fiscal year totaled \$67,340 (\$25,000 principal and \$42,340 interest).
- ◆ Local Streets Debt: This was for the construction of new roads. The Village paid \$40,362 in bond payments for the fiscal year (\$35,000 principal and \$5,362 interest).
- ◆ Bellaire Building Authority Bond: The bond payments made this fiscal year for the restoration of Craven Dam totaled \$18,140 (\$10,000 principal and 8,140 interest).
- ◆ The Village incurred new debt during the fiscal year in the amount of \$159,000, financed with a note payable through Alden State Bank.


## **KNOWN FACTORS AFFECTING FUTURE OPERATIONS**

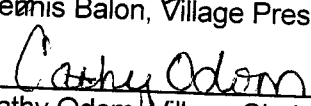
The Village's plans for the future include a resolution to the parking issue in the downtown district. This may be accomplished through a special assessment in the downtown area. Plans are in the discussion stage. There may potentially be improvements made to Craven Park in the next few years.

## **CONTACTING VILLAGE MANAGEMENT**

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact Cathy Odom, Village Clerk or John Hanson, Village President at 202 N. Bridge St., P.O. Box 557, Bellaire, MI 49615 or by calling 231-533-8213 during the hours of 8:30 AM to 4:00 PM.

  
John Hanson, Village President

  
Dennis Balon, Village President Pro-Tem

  
Cathy Odom, Village Clerk

**VILLAGE OF BELLAIRE  
STATEMENT OF NET ASSETS  
FEBRUARY 29, 2004**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	\$ 596,457	\$ 626,043	\$ 1,222,500
Investments	99,759	94,228	193,987
Accounts Receivable	69,224	43,592	112,816
Accounts Receivable - Tax Collection	4,945	-	4,945
Inventory	3,025	-	3,025
Due (To)/From Other Funds	43,716	(43,716)	-
Total Current Assets	817,126	720,147	1,537,273
<b>Noncurrent Assets:</b>			
Capital Assets	1,860,464	4,313,449	6,173,913
Accumulated Depreciation	(699,185)	(1,480,234)	(2,179,419)
Total Noncurrent Assets	1,161,279	2,833,215	3,994,494
Total Assets	1,978,405	3,553,362	5,531,767
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	-	9,750	9,750
Accrued Interest Payable	8,109	16,568	24,677
Deferred Revenue	17,500	-	17,500
Current Portion of Long-Term Debt	58,612	55,000	113,612
Total Current Liabilities	84,221	81,318	165,539
<b>Noncurrent Liabilities:</b>			
Bonds Payable	315,388	1,630,000	1,945,388
Total Liabilities	399,609	1,711,318	2,110,927
<b>NET ASSETS</b>			
Invested in Capital Assets, net of Related Debt	787,279	1,148,215	1,935,494
Restricted	18,510	135,777	154,287
Unrestricted	773,007	558,052	1,331,059
Total Net Assets	\$ 1,578,796	\$ 1,842,044	\$ 3,420,840

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED FEBRUARY 29, 2004**

	P R O G R A M   R E V E N U E S			N E T (E X P E N S E) R E V E N U E A N D		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CHANGES IN GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	NET ASSETS
<b>GOVERNMENTAL ACTIVITIES</b>						
General Administration	\$ (76,698)	\$ -	\$ 2,500	\$ (74,198)	\$ -	\$ (74,198)
Village Council	(18,656)	-	-	(18,656)	-	(18,656)
Elections	(1,322)	-	-	(1,322)	-	(1,322)
Street and Sidewalk Maintenance	(188,338)	-	-	(188,338)	-	(188,338)
Village Hall	(13,855)	-	113,518	(13,855)	-	(13,855)
Parks	(119,069)	-	-	(119,069)	-	(119,069)
Dam	(2,555)	24,019	-	(2,555)	-	(2,555)
Zoning	(34,153)	13,196	-	(34,153)	-	(34,153)
Law Enforcement	(168,732)	8,926	-	(168,732)	-	(168,732)
Cemetery	(22,062)	5,376	3,140	(22,062)	-	(22,062)
Interest on Long-Term Debt	(13,502)	-	-	(13,502)	-	(13,502)
<b>Total Governmental Activities</b>	<b>(658,942)</b>	<b>51,517</b>	<b>122,322</b>	<b>(450,051)</b>	<b>-</b>	<b>(450,051)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Sewer	(276,075)	271,178	-	(4,897)	(4,897)	(4,897)
Water	(125,601)	130,639	-	9,550	9,550	9,550
Interest on Long-Term Debt	(83,601)	-	-	(83,601)	(83,601)	(83,601)
<b>Total Business-Type Activities</b>	<b>(485,277)</b>	<b>401,817</b>	<b>-</b>	<b>(78,948)</b>	<b>(78,948)</b>	<b>(78,948)</b>
<b>TOTAL GOVERNMENT</b>	<b>(1,144,219)</b>	<b>453,334</b>	<b>122,322</b>	<b>(450,051)</b>	<b>(78,948)</b>	<b>(528,999)</b>
<b>GENERAL REVENUES</b>						
Property Taxes:						
Levied for General Purposes				314,418	-	284,495
Levied for Local Street Maintenance				81,908	-	72,290
Levied for Debt Service				-	81,908	72,290
Property Tax Administration Fee				4,779	-	4,287
State Shared Revenue (not restricted to specific purposes)				125,213	-	148,182
Refunds and Rebates				13,842	-	15,966
Investment Earnings				17,070	75	54,429
Miscellaneous				6,090	2,497	8,587
<b>TRANSFERS</b>						
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>563,320</b>	<b>96,455</b>	<b>659,775</b>
<b>CHANGE IN NET ASSETS</b>				<b>113,269</b>	<b>17,507</b>	<b>130,776</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>				<b>1,465,527</b>	<b>1,824,537</b>	<b>3,290,064</b>
<b>NET ASSETS - END OF YEAR</b>				<b>\$ 1,578,796</b>	<b>\$ 1,842,044</b>	<b>\$ 3,420,840</b>

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FEBRUARY 29, 2004

	MAJOR GOVERNMENTAL FUNDS				NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
	GENERAL	PUBLIC SAFETY	MAJOR STREET	LOCAL STREET		
<b>ASSETS</b>						
Cash	\$ 381,138	\$ 15,068	\$ 67,261	\$ 41,583	\$ 14,611	\$ 519,661
Investments	-	25,816	15,000	27,849	-	68,665
Accounts Receivable:						
Due From State	20,428	-	22,982	5,629	-	49,039
Due From County	-	-	14,500	-	-	14,500
Due From Other Funds	91,691	-	-	-	4,945	96,636
Other	-	-	-	-	5,685	5,685
Total Assets	493,257	40,884	119,743	75,061	25,241	754,186
<b>LIABILITIES AND FUND EQUITY</b>						
<b>Liabilities</b>						
Deferred Revenue	17,500	-	-	-	-	17,500
Due To Other Funds	-	-	11,502	26,578	15,596	53,676
Total Liabilities	17,500	-	11,502	26,578	15,596	71,176
<b>Fund Equity</b>						
Fund Balance:						
Undesignated, Unreserved	458,257	40,884	108,241	48,483	8,635	664,500
Reserved	17,500	-	-	-	1,010	18,510
Total Fund Equity	475,757	40,884	108,241	48,483	9,645	683,010
Total Liabilities and Fund Equity	\$ 493,257	\$ 40,884	\$ 119,743	\$ 75,061	\$ 25,241	\$ 754,186

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FEBRUARY 29, 2004**

**TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER  
BALANCE SHEET - PAGE 9)**

\$ 683,010

Amounts reported for governmental activities in the Statement of  
Net Assets (page 2) are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not used in the funds

1,161,279

Long-term liabilities, including bonds payable, and accrued  
interest are not due and payable in the current period and  
therefore are not reported in the funds

(382,108)

Internal service funds are used by management to charge the  
costs of certain activities to individual funds. The assets and  
liabilities of the internal service funds are included in  
governmental activities in the Statement of Net Assets

116,615

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER  
STATEMENT OF NET ASSETS - PAGE 7)**

\$ 1,578,796

See accompanying notes to financial statements.



**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED FEBRUARY 29, 2004**

	<u>MAJOR GOVERNMENTAL FUNDS</u>				<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	
	<u>GENERAL</u>	<u>PUBLIC SAFETY</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>GOVERNMENTAL</u>	<u>TOTAL</u>
<b>REVENUES</b>						
Taxes and Assessments	\$ 314,418	\$ -	\$ -	\$ 81,908	\$ -	\$ 396,326
State Grants	131,133	3,164	82,520	30,998	-	247,815
Local Grants	2,500	-	-	12,632	-	18,272
Charges for Services	48,542	159	16,500	-	3,140	70,577
Interest Income	10,750	539	2,146	1,396	5,376	17,070
Other	11,691	9,511	-	950	19,190	41,342
Total Revenues	519,034	13,373	101,166	127,884	29,945	791,402
<b>EXPENDITURES</b>						
General Government						
Parks	137,369	-	-	-	-	137,369
Zoning	101,414	-	-	-	-	101,414
Craven Dam	34,153	-	-	-	-	34,153
Street Maintenance	1,344	-	-	-	1,576	2,920
Public Safety	-	-	97,251	237,311	-	334,562
Debt Service:		163,292	-	-	21,428	184,720
Principal	-	-	-	-	-	-
Interest	-	-	-	-	45,000	45,000
Total Expenditures	274,280	163,292	97,251	237,311	13,502	13,502
Excess (Deficiency) of Revenues over Expenditures	244,754	(149,919)	3,915	(109,427)	81,506	853,640
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	157,150	-	-	(51,561)	(62,238)
Transfers Out	(197,150)	-	-	30,000	50,862	238,012
Note Proceeds	-	-	-	(40,862)	-	(238,012)
				159,000	-	159,000
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	47,604	7,231	3,915	38,711	(699)	96,762
Fund Balance - Beginning of Year	428,153	33,653	104,326	9,772	10,344	586,248
Fund Balance - End of Year	\$ 475,757	\$ 40,884	\$ 108,241	\$ 48,483	\$ 9,645	\$ 683,010

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED FEBRUARY 29, 2004**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS - PAGE 9**

\$ 96,762

Amounts reported for governmental activities in the statement of activities (page 3) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives

176,640

Depreciation expense, recorded in the statement of activities but not the governmental fund financial statements

(67,040)

Internal service funds are used by management of charge the costs of equipment services to individual funds. Net revenue of the internal service fund is reported within governmental activities

23,838

Governmental funds do not report long-term debt; therefore, debt service payments are recorded as an expenditure.

However, in the government-wide financial statements, long term debt is recorded and debt service payments are applied against the outstanding balances.

45,000

Proceeds from long-term debt instruments are recorded as revenue in the governmental funds and as a liability in the government-wide financial statements

(159,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This includes accrued interest expense

(2,931)

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES - PER STATEMENT OF ACTIVITIES (PAGE 8)**

\$ 113,269

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
FEBRUARY 29, 2004**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND</b>
	<b>SEWER</b>	<b>WATER</b>	<b>TOTAL</b>	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash	\$ 519,669	\$ 106,374	\$ 626,043	\$ 76,796
Investments	94,228	-	94,228	31,094
Due from Other Funds	-	-	-	5,701
Accounts Receivable	30,305	13,287	43,592	-
Inventory	-	-	-	3,025
Total Current Assets	644,202	119,661	763,863	116,616
<b>Noncurrent Assets:</b>				
Land	51,500	-	51,500	-
Buildings	-	-	-	-
Distribution and Collection Systems	3,754,968	476,891	4,231,859	94,839
Machinery and Equipment	-	30,090	30,090	-
Accumulated Depreciation	(1,282,294)	(197,940)	(1,480,234)	468,415
Total Noncurrent Assets	2,524,174	309,041	2,833,215	(359,594)
Total Assets	3,168,376	428,702	3,597,078	203,660
				320,276
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accrued Liabilities	16,568	-	16,568	-
Accounts Payable	9,750	-	9,750	-
Due To Other Funds	43,716	-	43,716	-
Current Portion of Bonds Payable	55,000	-	55,000	-
Total Current Liabilities	125,034	-	125,034	-
<b>Noncurrent Liabilities:</b>				
Bonds Payable	1,630,000	-	1,630,000	-
Total Liabilities	1,755,034	-	1,755,034	-
<b>NET ASSETS</b>				
Invested in Capital Assets, net of Related Debt	839,174	309,041	1,148,215	-
Restricted for Debt Service	135,777	-	135,777	-
Unrestricted	438,391	119,661	558,052	320,276
Total Net Assets	\$ 1,413,342	\$ 428,702	\$ 1,842,044	\$ 320,276

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED FEBRUARY 29, 2004**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND</b>
	<b>SEWER</b>	<b>WATER</b>	<b>TOTAL</b>	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 269,335	\$ 130,179	\$ 399,514	\$ 104,994
Taxes and Assessments	81,908	-	81,908	-
State Grants	-	4,512	4,512	-
Other	1,918	2,957	4,875	10,092
Total Operating Revenues	353,161	137,648	490,809	115,086
<b>EXPENSES</b>				
Personnel Services	107,721	72,002	179,723	35,811
Professional Fees	2,900	5,751	8,651	750
Insurance	4,109	1,145	5,254	10,766
Equipment Rental	9,562	12,657	22,219	-
Supplies	2,780	1,135	3,915	19,092
Repairs and Maintenance	35,769	6,172	41,941	17,056
Utilities	17,761	8,645	26,406	7,474
Depreciation	94,874	15,861	110,735	27,690
Miscellaneous	324	2,233	2,557	1,513
Total Operating Expenses	275,800	125,601	401,401	120,152
Operating Income/(Loss)	77,361	12,047	89,408	(5,066)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest Income	11,975	-	11,975	1,213
Interest Expense	(83,876)	-	(83,876)	-
Change in Net Assets	5,460	12,047	17,507	(3,853)
Total Net Assets - Beginning of Year	1,407,882	416,655	1,824,537	324,129
Total Net Assets - End of Year	\$ 1,413,342	\$ 428,702	\$ 1,842,044	\$ 320,276

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE**  
**STATEMENT OF CASH FLOWS**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED FEBRUARY 29, 2004**

	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUND</u>
<b><u>Cash flows from operating activities:</u></b>				
Cash received from customers	\$ 272,678	\$ 120,953	\$ 393,631	\$ 104,994
Cash received from property tax levy	81,908	-	81,908	-
Cash payments to suppliers for goods and services	(61,749)	(19,355)	(81,104)	(56,111)
Cash payments to employees and professional contractors for services	(110,621)	(77,729)	(188,350)	(36,351)
Payments for internal services	(9,562)	(12,657)	(22,219)	-
Other operating revenues	356	16,310	16,666	6,092
<b>Net cash provided (used) by operating activities</b>	<u>173,010</u>	<u>27,522</u>	<u>200,532</u>	<u>18,624</u>
<b><u>Cash flows from non-capital financing activities:</u></b>				
Receipts under interfund loan agreements	43,716	-	43,716	-
Payments under interfund loan agreements	(35,445)	-	(35,445)	(5,701)
<b>Net cash provided (used) by non-capital financing committees</b>	<u>8,271</u>	<u>-</u>	<u>8,271</u>	<u>(5,701)</u>
<b><u>Cash flows from capital and related financing activities:</u></b>				
Acquisition and construction of capital assets	(20,620)	(2,896)	(23,516)	(52,840)
Principal paid on bonds	(55,000)	-	(55,000)	-
Interest paid on bonds	(80,492)	-	(80,492)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(156,112)</u>	<u>(2,896)</u>	<u>(159,008)</u>	<u>(52,840)</u>
<b><u>Cash flows from investing activities:</u></b>				
(Purchase)/redemption of investments	(7,181)	-	(7,181)	33,467
Proceeds from sales of investments	-	-	-	-
Investment income	11,975	-	11,975	1,213
<b>Net cash provided (used) by investing activities</b>	<u>4,794</u>	<u>-</u>	<u>4,794</u>	<u>34,680</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>29,963</u>	<u>24,626</u>	<u>54,589</u>	<u>(5,237)</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>489,706</u>	<u>81,748</u>	<u>571,454</u>	<u>82,033</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 519,669</u>	<u>\$ 106,374</u>	<u>\$ 626,043</u>	<u>\$ 76,796</u>

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FEBRUARY 29, 2004**

**ASSETS**

Cash	
Investments	\$ 6,421
	79,570
Total Assets	<u>85,991</u>

**LIABILITIES**

Due To Other Funds	
	4,945

**NET ASSETS**

Net Assets Held in Trust for Cemetery Perpetual Care	\$ 81,046
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See accompanying notes to financial statements.

VILLAGE OF BELLAIRE  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED FEBRUARY 29, 2004

<b>ADDITIONS</b>		
Interest	\$	1,488
		<hr/>
<b>DEDUCTIONS</b>		
Deductions		-
		<hr/>
Change in Net Assets		1,488
Net Assets Held in Trust for Cemetery Perpetual Care - Beginning of Year		<hr/> 79,558
Net Assets Held in Trust for Cemetery Perpetual Care - End of Year	\$	<hr/> <hr/> 81,046

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE A: ENTITY**

The Village of Bellaire is a General Law Village of the State of Michigan organized in 1879, located in Antrim County, Michigan. Its physical boundaries incorporate parts of Forest Home and Kearney Townships.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of the Village of Bellaire.

**BELLAIRE DISTRICT FIRE DEPARTMENT**

These statements do not include activities of the Bellaire District Fire Department since the Village has no financial or oversight responsibility.

**BELLAIRE BUILDING AUTHORITY**

In June 2001, the Bellaire Building Authority was created under the provisions of Public Act 31 of 1948. The purpose of the Authority is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites for the use of the Village of Bellaire. Although it is legally separate from the Village, the Building Authority is reported as if it were a part of the primary government because its sole purpose is to serve the Village of Bellaire.

The financial activity of the Building Authority is reported in a capital projects and debt service fund within the Village's financial statements. The Building Authority is also audited under separate cover, and the financial statements are located at the Village offices.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of the Village of Bellaire are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Village's financial activities.

The accounting policies of the Village of Bellaire conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.



**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

On March 1, 2002, the Village of Bellaire adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Village's financial statements has shifted from a fund focus to a government-wide focus.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Village as a whole, excluding fiduciary activities such as cemetery perpetual care activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Village general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION  
(CONTINUED)**

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**FUND TYPES AND MAJOR FUNDS**

***Governmental Funds***

The Village reports the following major governmental funds:

*General Fund* - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

*Public Safety Fund* - This fund is used to account for all financial transactions of the Village's police department. The activities of the police department are financed primarily by transfers of resources from the General Fund.

*Major Street Fund* - This fund is used to account for all financial transactions related to the Village's "major" (state-owned) streets. Revenues are derived primarily from state grants.

*Local Street Fund* - This fund is used to account for all financial transactions related to the Village's local streets. Revenues are derived primarily from property taxes and state grants.

The Village reports, in total, the following non-major funds:

Cemetery, Bellaire Building Authority (capital projects and debt service), and Local Street Debt Service Funds.

***Proprietary Funds***

The Village reports the following major enterprise funds:

*Enterprise Funds* - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Water and sewer funds are reported in this category.

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND TYPES AND MAJOR FUNDS (CONTINUED)**

***Proprietary Funds***

*Water Fund* – This fund is used to account for all financial transactions of the Village's Water Utility services. Revenues are derived primarily from user charges.

*Sewer Fund* - This fund is used to account for all financial transactions of the Village's Sewer Utility services. Revenues are derived primarily from user charges.

***Other Funds***

*Fiduciary Funds* - These funds are used to account for assets held in trust or as an agent for others. Cemetery perpetual care activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

*Internal Service Funds* – account for equipment provided by one department to other departments within the Village on a cost-reimbursement basis. These are proprietary funds reported with governmental activities in the government-wide statements. The Village's motor pool fund is an internal service fund.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**Government-Wide Financial Statements**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

**Governmental Fund Financial Statements**

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15; uncollected amounts are subsequently added to the county delinquent tax rolls. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Village records the property tax revenue on the lien date when it becomes an enforceable legal claim for the Village. Therefore, all taxes levied on July 1, 2003, are recorded as revenue in the current year.

Property taxes were levied as follows for the year ended February 29, 2004:

General	11.5153 mills
Local Street	3.0000 mills
Sewer G.O. Bond	3.0000 mills

***Proprietary Fund Financial Statements***

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGETS**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The approved budgets of the Village for budgetary funds were adopted on a fund level using the modified accrual basis. Budgets are normally formulated during December and January of each year and a budget hearing is held in February.

The council normally adopts the budget just prior to March 1. Amendments are made to the budgets when determined to be necessary throughout the year. We noted overexpenditures for the year ended February 29, 2004 as follows:

Public Safety Fund	\$ 1,253
Major Street Fund	24,501
Local Street Fund	147,311

Budgets are not required for the proprietary, fiduciary, and debt service fund types.

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**INVENTORY**

Inventory for street materials have been recorded at cost.

**CAPITAL ASSETS AND DEPRECIATION**

The Villages property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Village maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in the respective fund financial statements. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 – 50
Improvements, other than buildings	2 – 50
Mobile equipment	3 – 30
Furniture, machinery, and equipment	3 – 30

For information describing capital assets, see Note F.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**NOTE C: CASH AND INVESTMENTS**

The Village of Bellaire uses a common banking account to pool cash funds and enhance investment earnings. The various funds equity at February 29, 2004 are as follows:

	<b><u>COMMON CHECKING</u></b>
General	\$ 381,038
Water	106,374
Motor Pool	76,796
Public Safety	15,068
	<u>\$ 579,276</u>

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE C: CASH AND INVESTMENTS (CONTINUED)**

Interfund borrowings are common and normally short-term in nature. Certificates of deposit are cashed if necessary to eliminate negative balances.

Cash consists of bank accounts or securities with original maturities of 90 days or less.

All cash deposits are maintained in financial institutions in the Bellaire, Michigan area. The Village's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the Village at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Village or by its agent in the Village's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3 - Uncollateralized.

	<u>BANK BALANCE</u>	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
Pooled Deposits	\$ 645,611	\$100,000	\$ -	\$ 545,611	\$ 579,276
Local Street	77,815	-	-	77,815	41,583
Major Street	150,148	-	-	150,148	67,261
Sewer	592,962	-	-	592,962	383,892
Sewer-Bond Red.	135,777	-	-	135,777	135,777
Cemetery	12,965	-	-	12,965	13,601
Building Authority	1,010	-	-	1,010	1,010
Petty Cash	-	-	-	-	100
Subtotal	1,616,288	100,000	-	1,516,288	1,222,500
Perpetual Care	6,421	-	-	6,421	6,421
Total Cash Deposits	<u>\$1,622,709</u>	<u>\$100,000</u>	<u>\$ -</u>	<u>\$1,522,709</u>	<u>\$1,228,921</u>

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE C: CASH AND INVESTMENTS (CONTINUED)**

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's investments are as follows:

- (1) Insured or securities held by the Village or the Village's agent in the Village's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Village's name.
- (3) Uninsured with securities held by the counter party's trust department or agent but not in the Village's name.

Investments are stated at cost, which approximates fair market value. Investments consist of securities with original maturities in excess of 90 days. Balances at February 29, 2004, consist of the following:

	CATEGORY			CARRYING
	1	2	3	AMOUNT
Sewer	\$ -	\$ 94,228	\$ -	\$ 94,228
Motor Pool	-	31,094	-	31,094
Local Street	-	27,849	-	27,849
Public Safety	-	25,816	-	25,816
Major Street	-	15,000	-	15,000
Subtotal	-	193,987	-	193,987
Perpetual Care	-	79,570	-	79,570
Total Investments	<u>\$ -</u>	<u>\$273,557</u>	<u>\$ -</u>	<u>\$273,557</u>

Investing is performed in accordance with investment policies complying with state statutes.

**NOTE D: RECEIVABLES**

Governmental Funds - Accounts receivable at February 29, 2004 consist of the following:

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>NON MAJOR FUNDS</u>
State of MI Shared Revenues	\$ 20,428	\$ 22,982	\$ 5,629	\$ -
County Reimbursements	-	14,500	-	-
Other	-	-	-	5,685
	<u>\$ 20,428</u>	<u>\$ 37,482</u>	<u>\$ 5,629</u>	<u>\$ 5,685</u>



**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE D: RECEIVABLES (CONTINUED)**

Proprietary funds - Accounts receivable at February 29, 2004, in the Enterprise funds consist of the following:

	<u>SEWER</u>	<u>WATER</u>
Unbilled usage 2/15 - 2/28	\$ 9,019	\$ 3,879
Current	18,160	9,080
30-60 days	<u>3,126</u>	<u>328</u>
	<u>\$ 30,305</u>	<u>\$ 13,287</u>

Management considers all receivables to be fully collectible.

**NOTE E: DUE FROM/TO OTHER FUNDS**

The amounts of interfund receivables and payable are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	\$ 91,691	Cemetery	\$ 15,596
Cemetery	4,945	Major Street	11,502
Motor Pool	5,701	Local Street	26,578
		Sewer	43,716
		Perpetual Care	<u>4,945</u>
<b>TOTAL</b>	<u><b>\$102,337</b></u>		<u><b>102,337</b></u>

Interfund receivables are short-term in nature and no interest is charged on the above amounts. Above amounts are the result of fringe benefit allocations and other activity at February 29, 2004.

GASB 34 requires that all interfund receivables and payables are eliminated within each activity type for purposes of the government-wide financial statements. Therefore, the only due to/due from balances presented on the Statement of Net Assets are those between the governmental and business-type activities. They are as follows: \$43,716 due to the general fund from the sewer fund and \$4,945 due to the cemetery fund from the perpetual care fund.

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE F: CAPITAL ASSETS**

	<b>CAPITAL ASSETS NOT DEPRECIATED</b>		<b>CAPITAL ASSETS DEPRECIATED</b>					
	Land & Improv.	Construction In Progress	Buildings	Furniture & Fixtures	Machinery & Equipment	Infra- Structure	Totals	
<b>Governmental Activities</b>								
Balance, March 1, 2003	\$ 263,967	\$ -	\$ 517,716	\$ 328,311	\$ 467,102	\$ 53,838	\$ 1,630,934	
Increases	159,000	-	-	2,859	55,038	12,632	229,530	
Decreases	-	-	-	-	-	-	-	
Balance, February 29, 2004	<u>422,967</u>	<u>-</u>	<u>517,716</u>	<u>331,170</u>	<u>522,140</u>	<u>66,470</u>	<u>1,860,464</u>	
<b>Governmental Activities</b>								
<b>Accumulated Depreciation</b>								
Balance, March 1, 2003	-	-	184,397	125,790	320,208	1,750	632,145	
Increases	-	-	13,469	18,594	32,912	2,065	67,040	
Decreases	-	-	-	-	-	-	-	
Balance, February 29, 2004	<u>-</u>	<u>-</u>	<u>197,866</u>	<u>144,384</u>	<u>353,120</u>	<u>3,815</u>	<u>699,185</u>	
<b>Governmental Activities</b>								
Capital Assets, Net	<u>\$ 422,967</u>	<u>\$ -</u>	<u>\$ 319,850</u>	<u>\$ 186,786</u>	<u>\$ 169,020</u>	<u>\$ 62,655</u>	<u>\$ 1,161,279</u>	
<b>Business-Type Activities</b>								
Balance, March 1, 2003	\$ 51,500	\$ 103,020	\$ -	\$ -	\$ 4,125,663	\$ -	\$ 4,280,183	
Increases	-	-	-	-	136,286	-	136,286	
Decreases	-	(103,020)	-	-	-	-	(103,020)	
Balance, February 29, 2004	<u>51,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,261,949</u>	<u>-</u>	<u>4,313,449</u>	
<b>Accumulated Depreciation</b>								
Balance, March 1, 2003	\$ -	\$ -	\$ -	\$ -	\$ 1,369,499	\$ -	\$ 1,369,499	
Increases	-	-	-	-	110,735	-	110,735	
Decreases	-	-	-	-	-	-	-	
Balance, February 29, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,480,234</u>	<u>-</u>	<u>\$ 1,480,234</u>	
<b>Business-Type Activities</b>								
Capital Assets, Net	<u>\$ 51,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,781,715</u>	<u>\$ -</u>	<u>\$ 2,833,215</u>	
<b>Primary Government</b>								
Capital Assets, Net	<u>\$ 474,467</u>	<u>\$ -</u>	<u>\$ 319,850</u>	<u>\$ 186,786</u>	<u>\$ 2,950,735</u>	<u>\$ 62,655</u>	<u>\$ 3,994,494</u>	

Depreciation expense was charged to functions of the Village as follows:

**Governmental Activities**

Village Administration	\$ 9,974
Street & Sidewalks	1,930
Parks	19,319
Dam	135
Law Enforcement	7,589
Cemetery	403
Allocated Internal Service Fund	27,690
Total	<u>\$ 67,040</u>

**Business-Type Activities**

Water Utilities	\$ 15,861
Sewer Utilities	94,874
Total	<u>\$ 110,735</u>

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE G: DEFERRED REVENUE**

The Village has deferred income in the amount of \$17,500 related to unspent grant monies as follows:

Traverse City Rotary Walkway Path Grant	\$ 7,500
Grand Traverse Bay Gaming Division Walking Path Grant	<u>10,000</u>
Total	<u>\$ 17,500</u>

**NOTE H: LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended February 29, 2004:

<u>Description and Purpose</u>	<u>Balance March 2003</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance February 29 2004</u>	<u>Due Within One Year</u>
<b><i>Governmental Activities</i></b>					
Major Governmental Fund					
Street Improv. Bonds	\$ 75,000	\$ -	\$ 35,000	\$ 40,000	\$ 45,000
Installment Loan	-	159,000	-	159,000	8,612
Non Major Governmental Fund					
Craven Dam Bond	185,000	-	10,000	175,000	10,000
Total	<u>\$ 260,000</u>	<u>\$ 159,000</u>	<u>\$ 45,000</u>	<u>\$ 374,000</u>	<u>\$ 58,612</u>
<b><i>Business-type Activities</i></b>					
Major Enterprise Fund					
Sewer Revenue Bonds	\$ 780,000	\$ -	\$ 30,000	\$ 750,000	\$ 30,000
Sewer G.O. Bonds	960,000	-	25,000	935,000	25,000
Total	<u>\$ 1,740,000</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 1,685,000</u>	<u>\$ 55,000</u>
Total Primary Government Long-term Debt	<u>\$ 2,000,000</u>	<u>\$ 159,000</u>	<u>\$ 100,000</u>	<u>\$ 2,059,000</u>	<u>\$ 113,612</u>

Long-term debt as of February 29, 2004, consists of the following:

***GENERAL OBLIGATION STREET IMPROVEMENT BONDS SERIES 1990***

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>INTEREST PAYABLE</u>
6/1/90	\$340,000	7.15	11-1-2004	<u>\$40,000</u>	<u>\$2,860</u>

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE H: LONG-TERM DEBT (CONTINUED)**

***GENERAL OBLIGATION STREET IMPROVEMENT BONDS SERIES 1990  
(CONTINUED)***

Purpose of the Issue:

The issue paid the costs of improvements to various roads in the Village, consisting generally of reconstruction, repair, repaving, curb and gutter construction, drainage improvements and all related appurtenances.

***LOCAL STREET INSTALLMENT LOAN***

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
12/3/03	\$159,000	5.25%	9/15/04	\$ 8,612	\$ 6,966
			9/15/05	7,490	8,088
			9/15/06	7,893	7,685
			9/15/07	8,318	7,260
			9/15/08	8,765	6,813
			9/15/09	9,236	6,342
			9/15/10	9,733	5,845
			9/15/11	10,257	5,321
			9/15/12	10,808	4,770
			9/15/13	11,389	4,189
			9/15/14	12,002	3,576
			9/15/15	12,647	2,931
			9/15/16	13,328	2,250
			9/15/17	14,044	1,534
			9/15/18	14,478	777
				<u>\$ 159,000</u>	<u>\$74,353</u>

Purpose of the Issue:

To defray the cost of purchasing a plot of land within the Village limits.

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE H: LONG-TERM DEBT (CONTINUED)**

***LIMITED FULL FAITH AND CREDIT GENERAL OBLIGATION CONTRACT OF  
LEASE – CRAVEN DAM PROJECT***

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
6/20/01	\$190,000	8.0%	10/20/04	\$ 10,000	\$ 7,700
			10/20/05	10,000	7,260
			10/20/06	10,000	6,820
			10/20/07	10,000	6,380
			10/20/08	10,000	5,940
			10/20/09	10,000	5,500
			10/20/10	15,000	5,060
			10/20/11	15,000	4,400
			10/20/12	15,000	3,740
			10/20/13	15,000	3,080
			10/20/14	15,000	2,420
			10/20/15	20,000	1,760
			10/20/16	20,000	880
				<u>\$ 175,000</u>	<u>\$60,940</u>

Purpose of the Issue:

Defraying part of the cost of major repairs to Craven Dam. The debt was issued to the Bellaire Building Authority and the Village of Bellaire.

***SANITARY SEWAGE DISPOSAL SYSTEM REVENUE AND REVENUE  
REFUNDING BONDS, SERIES 1999***

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
11/16/99	\$865,000	4.50	1/01/05	30,000	36,970
		4.55	1/01/06	35,000	35,620
		4.60	1/01/07	35,000	34,028
		4.65	1/01/08	35,000	32,417
		4.70	1/01/09	40,000	30,790
		4.75	1/01/10	40,000	28,910
		4.80	1/01/11	40,000	27,010
		4.85	1/01/12	45,000	25,090
		4.90	1/01/13	45,000	22,908
		4.95	1/01/14	50,000	20,702

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE H: LONG-TERM DEBT (CONTINUED)**

***SANITARY SEWAGE DISPOSAL SYSTEM REVENUE AND REVENUE  
REFUNDING BONDS, SERIES 1999 (CONTINUED)***

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
		5.00	1/01/15	50,000	18,228
		5.05	1/01/16	55,000	15,727
		5.10	1/01/17	55,000	12,950
		5.15	1/01/18	60,000	10,145
		5.20	1/01/19	65,000	7,055
		5.25	1/01/20	70,000	3,675
				<u>\$750,000</u>	<u>\$362,225</u>

Purpose of the Issue:

Defraying part of the cost of acquiring and constructing additions, extensions and improvements to the Village's sanitary sewage disposal system and to provide cash for the refunding of the Village's Sanitary Sewage Disposal System Revenue Bonds, Series 1972 and 1972B.

The bonds are payable solely and only from the net revenues of the sewer system. The Village has covenanted and agreed to fix and maintain at all times, while the bonds are still outstanding, such rates for services furnished by the sewer system that will be sufficient to provide for payment of the necessary expenses of operation, maintenance and administration of the sewer system, of the principal and interest on all of said bonds when due, to create and maintain a bond reserve account, and to provide for other such expenditures and funds for the sewer system as required. The Village has covenanted to charge and collect sufficient rates and charges each year so as to produce net revenues equal to at least 110% of annual debt service on the bonds.

***GENERAL OBLIGATION UNLIMITED TAX WASTEWATER REFUNDING BONDS  
1998***

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
12/31/98	\$1,065,000				
		3.85	12-1-04	25,000	41,627
		3.90	12-1-05	25,000	40,665
		3.95	12-1-06	25,000	39,690

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED FEBRUARY 29, 2004**

**NOTE H: LONG-TERM DEBT (CONTINUED)**

***GENERAL OBLIGATION UNLIMITED TAX WASTEWATER REFUNDING BONDS  
1998 (CONTINUED)***

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
		4.00	12-1-07	35,000	38,703
		4.10	12-1-08	35,000	37,303
		4.15	12-1-09	35,000	35,867
		4.20	12-1-10	35,000	34,415
		4.25	12-1-11	35,000	32,945
		4.30	12-1-12	45,000	31,457
		4.35	12-1-13	45,000	29,523
		4.40	12-1-14	40,000	27,565
		4.45	12-1-15	40,000	25,805
		4.50	12-1-16	40,000	24,025
		4.55	12-1-17	40,000	22,225
		4.60	12-1-18	40,000	20,405
		4.60	12-1-19	40,000	18,565
		4.65	12-1-20	40,000	16,725
		4.65	12-1-21	50,000	14,865
		4.70	12-1-22	45,000	12,540
		4.70	12-1-23	45,000	10,425
		4.70	12-1-24	45,000	8,310
		4.75	12-1-25	45,000	6,195
		4.75	12-1-26	45,000	4,058
		4.80	12-1-27	40,000	1,920
				<u>\$935,000</u>	<u>\$575,823</u>

This issue refinanced the General Obligation Wastewater System Improvement Series 1988.

The bond is backed by the full faith and credit of the Village and is an unlimited tax general obligation bond.

**Purpose of the Issue:**

Paying part of the cost of making improvements to the sanitary sewer system of the Village consisting generally of a new treatments plant and discharge facilities together with lines, pumps and storage improvements and all related appurtenances.

As of February 29, 2004, the Village is in compliance with all material covenants.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE H: LONG-TERM DEBT (CONTINUED)**

**INTEREST ON LONG-TERM DEBT**

GASB Statement No. 34 requires interest to be accrued for the long-term debt of governmental activities for the purposes of the government-wide financial statements. Proprietary funds have always recorded accrued interest, as they are governed by FASB guidelines. The government-wide financial statements include the following accrued interest balances at February 29, 2004:

	<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<b><u>BUSINESS TYPE ACTIVITIES</u></b>
Accrued Interest	<u>\$ 8,109</u>	<u>\$ 16,568</u>

The fund financial statements do not recognize accrued interest for governmental activities.

**NOTE I: DESIGNATED/RESERVED/RESTRICTED FUND BALANCE/NET ASSETS**

**RESERVED/RESTRICTED FUND BALANCE**

The sewer fund has reserved/restricted fund balance/net assets for sewer improvement G.O. Bonds. 135,777

The Building Authority debt service fund has reserved/restricted fund balance/net assets for the Craven Dam Project G.O. Bonds. 1,010

The general fund has reserved/restricted fund balance/net assets Related to unspent grant monies. 17,500  
\$ 154,287

**DESIGNATED FUND BALANCE**

The fiduciary fund type designated amount is retained for cemetery perpetual care. \$ 81,046

**NOTE J: PENSION PLAN**

The Village of Bellaire contributes to the Village of Bellaire Pension Plan, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amounts of benefits the individual is to receive. Under the Village's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.



**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE J: PENSION PLAN (CONTINUED)**

Upon the date of hire, all full time and permanent part-time employees are eligible to participate in the plan. Contributions made by both the Village and employees vest immediately. The participant will receive benefits at age 55 or the tenth anniversary of the date the participant commenced participation of the plan if later. There is no provision for early retirement.

The plan requires the Village to contribute 10% of the eligible employees wages. Additionally, each participant may make a contribution up to 10% of their salary. During the year the Village contributed \$30,214 to the plan, which was 10% of its current year covered payroll.

No pension provision changes occurred during the year that affected the required contributions to be made by the Village or its employees.

**NOTE K: SEGMENT INFORMATION - ENTERPRISE FUNDS**

The water fund and sewer fund provide water and sewer services to Village residents and businesses. A synopsis of pertinent financial data is as follows:

	<u><b>WATER</b></u>	<u><b>SEWER</b></u>
Operating Revenues	\$ 137,648	\$ 353,161
Operating Expenses	125,601	275,800
Depreciation	15,861	94,874
Operating Income (Loss)	12,047	77,361
Operating Transfers In/(Out)		-
Change in Net Assets	12,047	5,460
Additions to Fixed Assets	2,896	20,620
Net Working Capital	119,661	519,168
Total Assets	428,702	3,168,376
Bonded Debt	-	930,000
Total Equity	428,702	1,413,342

**NOTE L: INSURANCE COVERAGES**

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Village participated in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Village pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE L: INSURANCE COVERAGES (CONTINUED)**

coverage varying depending on the specific type coverage of reinsurance. The Village has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Village carries commercial insurance for other potential losses, including employee health and accident insurance.

**NOTE M: COMPARATIVE DATA**

Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of the changes in the Village's financial operations. However, comparative data has not been presented in each of the statements.

**NOTE N: CONTINGENCIES**

**GRANTS**

The Village and the Bellaire Building Authority have received grant monies from federal, state, and local sources. Grant monies are subject to audit by the grantor. Upon audit, some expenditures may be disallowed and as a result, those amounts may be refundable. Such refunds, if any, are generally payable from the Village's unrestricted fund balance. The Village feels that any potential disallowances, if any, are immaterial.

**NOTE O: RELATED PARTY TRANSACTIONS**

The Village purchased a parcel of land for \$159,000 from the parents of the Village Council President Pro-Tem.

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - WITH**  
**COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2003**  
**GENERAL FUND**  
**YEAR ENDED FEBRUARY 29, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
<b>REVENUES</b>					
Taxes and Assessments	\$ 289,000	\$ 289,000	\$ 314,418	\$ 25,418	\$ 294,721
State Grants:					
State Shared Revenue	130,000	130,000	125,213	(4,787)	133,145
Park Improvements	-	-	5,920	5,920	53,280
Local Grants	-	-	2,500	2,500	3,500
Charges for Services:					
Permits and Fees	4,000	4,000	13,196	9,196	6,368
Property Tax Administration	4,000	4,000	4,779	779	4,481
Park Fees	24,750	24,750	24,019	(731)	25,971
Franchise Fees	-	-	6,548	6,548	6,384
Interest Income	13,000	13,000	10,750	(2,250)	12,839
Other	15,500	15,500	11,691	(3,809)	11,969
<b>Total Revenues</b>	<b>480,250</b>	<b>480,250</b>	<b>519,034</b>	<b>38,784</b>	<b>552,658</b>
<b>EXPENDITURES</b>					
<b>GENERAL GOVERNMENT</b>					
<b>Village Council:</b>					
Wages	16,000	16,000	17,330	(1,330)	12,449
Fringe Benefits	1,225	1,225	1,326	(101)	952
Office Supplies	100	100	-	100	45
Miscellaneous Expense	850	850	-	850	136
<b>Total Village Council</b>	<b>18,175</b>	<b>18,175</b>	<b>18,656</b>	<b>(481)</b>	<b>13,582</b>
<b>General Administration:</b>					
Wages	26,300	26,300	15,964	10,336	42,326
Fringe Benefits	45,700	45,700	10,252	35,448	23,999
Office Supplies	4,900	4,900	4,256	644	9,899
Communications	3,500	3,500	2,692	808	3,076
Rent	19,640	19,640	19,190	450	14,657
Tree Trimming	3,000	3,000	1,851	1,149	2,595
Equipment Rental	10,200	10,200	9,718	482	9,636
Professional Fees	10,500	10,500	11,541	(1,041)	6,711
Printing	1,500	1,500	2,662	(1,162)	562
Repair and Maintenance	9,000	9,000	136	8,864	11,903
Tax Roll	950	950	817	133	869
Insurance and Bonds	1,900	1,900	1,799	101	1,564
Dues and Subscriptions	1,500	1,500	1,232	268	1,345
Education and Training	1,200	1,200	-	1,200	790
Miscellaneous	4,200	4,200	3,144	1,056	6,487
Capital Outlay	2,500	2,500	660	1,840	-
<b>Total General Administration</b>	<b>146,490</b>	<b>146,490</b>	<b>85,914</b>	<b>60,576</b>	<b>136,419</b>
<b>Election:</b>					
Wages and Benefits	1,000	1,000	639	361	1,258
Supplies and Other	520	520	683	(163)	1,432
<b>Total Election</b>	<b>\$ 1,520</b>	<b>\$ 1,520</b>	<b>\$ 1,322</b>	<b>\$ 198</b>	<b>\$ 2,690</b>

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - WITH**  
**COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2003**  
**GENERAL FUND**  
**YEAR ENDED FEBRUARY 29, 2004**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>	<b>PRIOR YEAR ACTUAL</b>
<b>GENERAL GOVERNMENT</b>					
<b>(CONTINUED):</b>					
<b>Building and Grounds:</b>					
Wages	\$ 1,000	\$ 1,000	\$ 336	\$ 664	\$ 353
Fringe Benefits	100	100	26	74	27
Repairs and Maintenance	7,000	7,000	7,943	(943)	7,949
Insurance	500	500	505	(5)	439
Utilities	4,000	4,000	4,391	(391)	4,008
Street Lights	20,300	20,300	17,622	2,678	18,129
Miscellaneous	300	300	654	(354)	469
Capital Outlay	1,000	1,000	-	1,000	5,391
<b>Total Building and Grounds</b>	<b>34,200</b>	<b>34,200</b>	<b>31,477</b>	<b>2,723</b>	<b>36,765</b>
<b>Total General Government</b>	<b>200,385</b>	<b>200,385</b>	<b>137,369</b>	<b>63,016</b>	<b>189,456</b>
<b>RECREATION AND CULTURE:</b>					
<b>Parks and Playgrounds:</b>					
Wages	26,250	26,250	26,830	(580)	29,195
Fringes	11,000	11,000	18,325	(7,325)	16,349
Communications	600	600	575	25	688
Contractual Services	10,000	10,000	16,800	(6,800)	7,556
Insurance	2,500	2,500	2,737	(237)	2,380
Utilities	11,550	11,550	7,113	4,437	10,949
Repairs	8,100	8,100	13,116	(5,016)	6,921
Equipment Rental	11,000	11,000	11,307	(307)	20,826
Advertising/Miscellaneous	1,300	1,300	1,309	(9)	622
Capital Outlay	16,396	16,396	3,302	13,094	111,435
<b>Total Parks and Playgrounds</b>	<b>98,696</b>	<b>98,696</b>	<b>101,414</b>	<b>(2,718)</b>	<b>206,921</b>
<b>PUBLIC WORKS:</b>					
<b>Craven Dam:</b>					
Wages	1,000	1,000	273	727	1,535
Fringe Benefits	300	300	186	114	860
Equipment Rental	750	750	7	743	640
Utilities	100	100	81	19	85
Repairs	1,500	1,500	797	703	2,507
Engineering	-	-	-	-	178
Capital Outlay	2,500	2,500	-	2,500	-
Operating Supplies/Other	-	-	-	-	39
<b>Total Craven Dam</b>	<b>\$ 6,150</b>	<b>\$ 6,150</b>	<b>\$ 1,344</b>	<b>\$ 4,806</b>	<b>\$ 5,844</b>

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - WITH**  
**COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2003**  
**GENERAL FUND**  
**YEAR ENDED FEBRUARY 29, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
<b>ZONING</b>	\$ 34,942	\$ 34,942	\$ 34,153	\$ 789	\$ 38,740
<b>Total Expenditures</b>	340,173	340,173	274,280	65,893	440,961
<b>Excess of Revenues over Expenditures</b>	140,077	140,077	244,754	104,677	111,697
<b>TRANSFERS:</b>					
Operating Transfers Out	(157,150)	(157,150)	(197,150)	(40,000)	(162,716)
<b>Excess of Revenues over Expenditures and Other Uses</b>	(17,073)	(17,073)	47,604	64,677	(51,019)
Fund Balance - Beginning of Year	428,153	428,153	428,153	-	479,172
Fund Balance - End of Year	<u>\$ 411,080</u>	<u>\$ 411,080</u>	<u>\$ 475,757</u>	<u>\$ 64,677</u>	<u>\$ 428,153</u>

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - WITH**  
**COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2003**  
**PUBLIC SAFETY FUND**  
**YEAR ENDED FEBRUARY 29, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
<b>REVENUES</b>					
Federal Grants	\$ -	\$ -	\$ -	\$ -	\$ 4,425
State Grants	2,000	2,000	3,164	1,164	4,761
Local Grants	-	-	-	-	3,050
Charges for Services	90	90	159	69	146
Interest Income	375	375	539	164	562
Refunds and Rebates	-	-	619	619	3,953
Fines and Forfeits	2,500	2,500	8,892	6,392	6,544
Total Revenues	4,965	4,965	13,373	8,408	23,441
<b>EXPENDITURES</b>					
Wages	91,586	91,586	89,973	1,613	91,470
Fringe Benefits	51,303	51,303	52,790	(1,487)	46,299
Office Expense	2,760	2,760	2,633	127	2,893
Fuel	5,650	5,650	7,865	(2,215)	11,857
Professional Services	550	550	450	100	616
Telephone	840	840	731	109	827
Education	1,400	1,400	913	487	940
Capital Outlay	4,000	4,000	3,849	151	4,968
Insurance	3,200	3,200	3,496	(296)	3,030
Miscellaneous	750	750	592	158	894
Total Expenditures	162,039	162,039	163,292	(1,253)	163,794
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(157,074)	(157,074)	(149,919)	7,155	(140,353)
<b>OTHER FINANCING SOURCES</b>					
Transfers In	157,150	157,150	157,150	-	144,321
<b>Excess (Deficiency) of Revenues and Other Sources over Expenditures</b>	76	76	7,231	7,155	3,968
Fund Balance - Beginning of Year	33,653	33,653	33,653	-	29,685
Fund Balance - End of Year	\$ 33,729	\$ 33,729	\$ 40,884	\$ 7,155	\$ 33,653

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - WITH**  
**COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2003**  
**MAJOR STREET FUND**  
**YEAR ENDED FEBRUARY 29, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
<b>REVENUES</b>					
State Grants	\$ 58,000	\$ 58,000	\$ 82,520	\$ 24,520	\$ 63,184
Charges for Services	14,500	14,500	16,500	2,000	12,500
Interest Income	3,100	3,100	2,146	(954)	3,924
Total Revenues	75,600	75,600	101,166	25,566	79,608
<b>EXPENDITURES</b>					
Wages	19,500	19,500	16,841	2,659	22,484
Fringe Benefits	10,300	10,300	11,502	(1,202)	12,590
Repair and Maintenance	6,100	6,100	5,786	314	7,560
Professional Services	550	550	525	25	970
Traffic Control	4,250	4,250	2,249	2,001	614
Capital Outlay	1,000	1,000	25,449	(24,449)	5,998
Equipment Rental	30,000	30,000	34,291	(4,291)	43,935
Insurance	550	550	608	(58)	520
Miscellaneous	500	500	-	500	836
Total Expenditures	72,750	72,750	97,251	(24,501)	95,507
<b>Excess (Deficiency) of Revenues over Expenditures</b>	2,850	2,850	3,915	1,065	(15,899)
Fund Balance - Beginning of Year	104,326	104,326	104,326	-	120,225
Fund Balance - End of Year	\$ 107,176	\$ 107,176	\$ 108,241	\$ 1,065	\$ 104,326

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - WITH**  
**COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2003**  
**LOCAL STREET FUND**  
**YEAR ENDED FEBRUARY 29, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
<b>REVENUES</b>					
Taxes and Assessments	\$ 73,000	\$ 73,000	\$ 81,908	\$ 8,908	\$ 75,346
State Grants	26,000	26,000	30,998	4,998	30,292
Local Grants	-	-	12,632	12,632	18,070
Interest Income	1,200	1,200	1,396	196	1,801
Other	16,000	16,000	950	(15,050)	1,970
Total Revenues	116,200	116,200	127,884	11,684	127,479
<b>EXPENDITURES</b>					
Wages	21,000	21,000	15,926	5,074	17,655
Fringes	12,000	12,000	10,878	1,122	9,887
Miscellaneous	300	300	-	300	272
Repair and Maintenance	7,000	7,000	6,012	988	4,307
Professional Services	650	650	525	125	780
Traffic Control	1,500	1,500	55	1,445	-
Sidewalks Construction	7,000	7,000	-	7,000	-
Capital Outlay	15,000	15,000	171,632	(156,632)	42,449
Equipment Rental	25,000	25,000	31,676	(6,676)	31,610
Insurance	550	550	607	(57)	521
Total Expenditures	90,000	90,000	237,311	(147,311)	107,481
<b>Excess (Deficiency) of Revenues over Expenditures</b>	26,200	26,200	(109,427)	(135,627)	19,998
<b>OTHER FINANCING SOURCES/USES</b>					
Transfers In	-	-	30,000	(30,000)	-
Transfers Out	(45,862)	(45,862)	(40,862)	(5,000)	(43,348)
Note Proceeds	-	-	159,000	159,000	-
<b>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</b>	(19,662)	(19,662)	38,711	58,373	(23,350)
Fund Balance - Beginning of Year	9,772	9,772	9,772	-	33,122
Fund Balance - End of Year	\$ (9,890)	\$ (9,890)	\$ 48,483	\$ 58,373	\$ 9,772

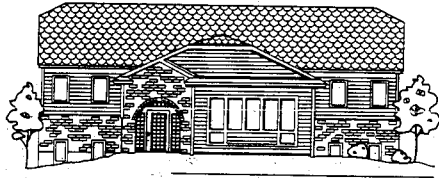


**VILLAGE OF BELLAIRE  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
FEBRUARY 29, 2004**

	<b>CEMETERY</b>	<b>LOCAL STREET DEBT SERVICE</b>	<b>BELLAIRE BUILDING AUTHORITY DEBT SERVICE</b>	<b>TOTAL</b>
<b>ASSETS</b>				
Cash	\$ 13,601	\$ -	\$ 1,010	\$ 14,611
Accounts Receivable	5,685	-	-	5,685
Due From Other Funds	4,945	-	-	4,945
<b>Total Assets</b>	<b>24,231</b>	<b>-</b>	<b>1,010</b>	<b>25,241</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Due To Other Funds	15,596	-	-	15,596
<b>Fund Balance:</b>				
Equity	8,635	-	1,010	9,645
<b>Total Liabilities and Fund Equity</b>	<b>\$ 24,231</b>	<b>\$ -</b>	<b>\$ 1,010</b>	<b>\$ 25,241</b>

**VILLAGE OF BELLAIRE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR FUNDS**  
**YEAR ENDED FEBRUARY 29, 2004**

	<b>CEMETERY</b>	<b>LOCAL STREET DEBT SERVICE</b>	<b>BELLAIRE BUILDING AUTHORITY DEBT SERVICE</b>	<b>TOTAL</b>
<b>REVENUES</b>				
Local Grants	\$ 3,140	\$ -	\$ -	\$ 3,140
Charges for Services	5,376	-	-	5,376
Rental Income	-	-	19,190	19,190
Interest Income	2,227	-	12	2,239
Total Revenues	10,743	-	19,202	29,945
<b>EXPENDITURES</b>				
Cemetery	21,428	-	-	21,428
Other	-	500	1,076	1,576
Debt Service:				
Bond Principal	-	35,000	10,000	45,000
Bond Interest	-	5,362	8,140	13,502
Total Expenditures	21,428	40,862	19,216	81,506
Excess (Deficiency) of Revenues over Expenditures	(10,685)	(40,862)	(14)	(51,561)
<b>OTHER FINANCING SOURCES</b>				
Transfers In	10,000	40,862	-	50,862
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(685)	-	(14)	(699)
Fund Balance - Beginning of Year	9,320	-	1,024	10,344
Fund Balance - End of Year	\$ 8,635	\$ -	\$ 1,010	\$ 9,645



Keskin, Cook, Miller, Smith & Alexander LLP  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 24, 2004

To the President and Members of the Village  
Council of the Village of Bellaire

We have audited the financial statements of the Village of Bellaire, Antrim County, Michigan as of and for the year ended February 29, 2004, and have issued our report thereon dated March 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Bellaire, Antrim County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Bellaire, Antrim County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation

to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Village Council, management, the United States Department of Rural Economic and Community Development. However, this report is a matter of public record and its distribution is not limited.

*K. K. Cook Miller Smith & Alexander LLP*

Keskine, Cook, Miller, Smith & Alexander LLP  
Certified Public Accountants